MASTERS RESEARCH REPORT

Degree: Development Theory and Policy, SEBS

Student name: Rudi Michiel Ackerman

Student number: 1341896

E-Mail: rudi.ackerman@absa.co.za

Phone/Cell: 072 737 1270

Date: February 2017

Name of supervisor: Gilad Isaacs

Words: 13 707

Financialisation in South African Agriculture: Two Firm-Level Case Studies

Table of Contents

List of Figures

1 Introduction

The past decade has seen increasing attention given to the process termed ‘financialisation’ within the socio-political and economic literature. The term is widely applied to various related phenomena; it is broadly defined by Epstein as designating “*the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international levels*” (Epstein 2005:4). Various schools of thought exist as the precise nature and meaning of financialisation (see Section 2.1).

It is important to make a distinction between financialisation and what is called ‘financial development’ (*see* Levine 1999). The mainstream literature uses very broad definitions of financial development, such as how easily credit can be obtained or how enforceable contracts are, among many others (Levine, 1999:9). Financialisation does not simply refer to an increase in financial industry sophistication, nor only to the laws and regulations that enable them. Instead, it considers the social, political and economic relationships arising from the increased importance of the financial industry and financial elites within the economy and the effects thereof. It also takes a critical stance on the potential dangers of the increased predominance of finance in the economy rooted in heterodox economics and political economy approaches.

Despite the multiplicity of analysis, much of the financialisation literature approaches the subject on the macroeconomic level. While this highlights salient trends and the overall financialisation of many economies, such analyses do not necessarily capture processes of causation or pinpoint the consequences of financialisation for specific economies. Therefore a number of scholars suggest that firm-level analysis be the next phase of research on financialisation (Isaacs 2015; Krippner 2005; Bonizzi 2013), hence this paper’s contribution.

Of particular interest here are the studies within the financialisation literature on the agricultural sector because of the industry's direct impact on development and food security. Particularly in the United States of America, the food crises of 2008 led to much popular and political dissatisfaction with financial institutions. This changing perception of the industry was supported by scholars like Michael Masters (Masters 2008) and Engelbert Stockhammer (Stockhammer 2008). In contrast to this, empirical studies from within the economic mainstream emerged, such as those by Dwight Sanders, Scott Irwin (Irwin & Sanders 2012) and Alexandra Dwyer (Dwyer et al. 2012) which showed little evidence that financial speculation – viewed as either a by-product or a cause of financialisation – had detrimental consequences on agriculture and food security. Both sets of literature point to the increasing role of a well-embedded financial services industry within the agricultural sector. Whether this role is as a 'neutral' facilitative agent or the architect of self-enriching crises needs to be determined on a contextual basis. Further broad, aggregated macroeconomic studies that depend heavily on mathematics and econometrics fail to adequately capture the social and political shifts of power within an economy. As such, firm-level studies offer a unique political economy perspective.

Despite the burgeoning of the financialisation literature – especially as pioneered by the Financialisation, Economy Society and Sustainable Development research project (FESSUD) – there exists insufficient literature focused on developing countries (Bonizzi 2013). The reason for this is two-fold. Firstly, since financialisation seems to represent a recent adaptation of capitalist accumulation that originally arose within the capitalist core, most initial studies were centred on the core, while only the most recent studies have branched out to focus on the periphery (Bonizzi 2013). Secondly, many developing nations lack sufficient economic data of the type needed to effectively analyse financialisation (Newman 2014).

Here, South Africa is of heuristic value. As the most advanced economy in Africa, and housing among the most advanced financial industries in the world (WEF 2015), it is one of the developing countries that can, and has, been studied recently within the financialisation literature, most notably by Susan Newman (2014), Gilad Isaacs (2015), Ben Fine (2013) and Sam Ashman (Ashman et al. 2011) on a macroeconomic level. This paper, however, is an attempt to expand the much more limited literature on South African firms such as those done by Ward Anseeuw and Antoine Ducastel (Ducastel & Anseeuw 2014, 2013; Anseeuw & Ducastel 2010).

As such, this paper will analyse two case studies from the agricultural industry: one ex-co-operative whose shares are traded fairly openly – Senwes Ltd. – and operates as a facilitating agent to primary agricultural producers, and one large family-owned conglomerate – the ZZ2 Group – with a private shareholding structure operating in primary agricultural production. This analysis highlights how the firms have responded to macroeconomic transformations in the form of internationalisation, liberalisation and the process of financialisation. It is particularly valuable to see how these changes have shaped the trajectory of agrarian transformation and how firm practices, such as employment and productivity, have changed in response to these dynamics.

To lay the foundation for the analysis, Section 2 will review existing literature on financialisation, while Section 3 will give an overview of South African social and economic transformation over the past few decades. Section 4 and 5 will be the case studies on Senwes and ZZ2, respectively, while Section 6 concludes.

2 Review of Existing Literature

2.1 Emergence of International Financialisation

As noted earlier, the literature on financialisation is vast and varied. This section will therefore focus on only the most pertinent parts associated with the process on a microeconomic level.[1]

It is important to begin by understanding some key concepts concerning the emergence of financialisation. Scholars such as Demir (2007), Dünhaupt (2012), Epstein (2005) and Jayadev (Epstein & Jayadev 2005) suggest the resurgence of a ‘rentier class’, which consists of an elite that accumulates only out of financial industry growth, speculation and its financial rents. This approach is common to the post-Keynesian school and is critiqued particularly by Marxian scholars (*see* Krippner, 2005 and Bonizzi 2013) who propose that the shift of the power balance from labour to capital as well as the growing importance of the sphere of circulation (production vis-à-vis interest-bearing capital) is different from arguing that financialisation simply marks the return of a rentier class (Lapavitsas 2010). Instead, financialisation is seen as a more fundamental restructuring of capitalist production and accumulation instead of the growth of a distinct subsection of the capitalist class (Isaacs 2015:50; Ashman et al. 2011:176; Newman 2014:31). The distinct lines between a rentier and a ‘productive’ capitalist class supposed in the Post-Keynesian literature is also not visible in capitalism today (Lapavitsas 2010).

Stockhammer defines the signs indicating such a change in capitalist accumulation:

> “*The deregulation of the financial sector and the proliferation of new financial instruments, the liberalization of international capital flows and increasing instability on exchange rate markets, a shift to market-based financial systems, the emergence of institutional investors as major player on financial markets and the boom (and bust) on asset markets,*

[1] For a more complete and holistic approach to financialisation literature, the work by Bonizzi (2013) as well as that by Sawyer (2014) are both broad and quite complete.

> *shareholder value orientation and changes in corporate governance (of non-financial business), increased access to credit by previously 'underbanked' groups or changes in the level of (real) interest rates. Financialization has also been used to highlight changes psychological and ideological structures (Sic).*" (Stockhammer 2008:2)

From a Marxian perspective, these elements all support the notion of an emerging restructuring of capitalist accumulation from a long-term production focused mode of investment in the *real* economy, towards a speculative investment focus in the *financial* sector of the economy (Lapavitsas 2010; *in* Demir 2007) or, as Krippner (2003) calls it, the 'fictitious' economy (because of the lack of underlying real productive value in speculative activity). It also represents a migration towards financial channels as a method of accumulation, often at the cost of productive investment in the real economy (Fine 2013; Kaltenbrunner & Karacimen 2016; Painceira 2009). As Section 3 will show, many of these signs have been observed and analysed in the South African economy. The case studies will therefore have a particular focus on how agrarian capital has been applied – be that in the real or fictitious economy – as well as how it has migrated to financial channels, if at all.

The emergence of financialisation has also been closely associated with economic and financial liberalisation and, consequently, financial crises (Stockhammer 2004; Fine 2013; Demir 2007; Orhangazi 2006; Krippner 2005). Such liberalisation has led to periods of increased sensitivity to global financial market fluctuations and interest rate changes. This often coincides with a proliferation of derivative market investment instruments, and in many cases a boom and bust in fixed asset and financial markets (Krippner 2005; Stockhammer 2004; Demir 2007). Palma (2000; 2009) has thus strongly linked financialisation with an increased frequency and severity of financial crises, observed empirically. Evidence seems to point towards financialisation both being spread through crises, as well as inducing crises (Palma 2000; Ghosh 2005; Stockhammer 2012a). The case studies below support this view and show that it can make sense for financialisation to be seen as both creating conditions for financial crises as well as expanding 'financial entanglement'[2] through crises.

As such, it is important to understand that what is called the process of financialisation is not a linear path to be followed, nor is it a homogenous set of phenomena (Bonizzi 2013; Krippner 2005; Isaacs 2014; Becker et al. 2010; Fine 2013; Sawyer 2014). Kaltenbrunner and Karacimen (2016) examine the contradictory nature of financialisation where it lays both the foundation for productive capital growth, yet sows the seeds of speculative activity and crisis. Similarly, Lapavitsas (2010) show how the finance sector has had quite variegated interactions with the productive sector, making the relationship between the various actors quite complex. South African agriculture has also had variegated experiences of financialisation, and this study will tease apart some of the forces here at play.

2.2 Effects of Financialisation

An important feature of financialisation is the changing role of banks, something well documented by various scholars (Bonizzi 2013; Krippner 2005; Stockhammer 2008; Demir 2007; Ashman et al. 2011). Not only have household's share of debt often increased considerably (Isaacs 2015:37), but commercial banks also increasingly diversify their offerings to be a 'one-stop-shop' that essentially permeates the entire economy (Ghosh 2005). In the developing world, this has often coincided with an expansion of foreign banks and non-banking institutions into domestic financial markets as a policy-pushed initiative to attract foreign investment (Bonizzi 2013:91). This, coupled with the growth of other large institutional investors like domestic pension funds and insurance firms, results in the emergence of large institutional investors – mostly from the financial industry, with a resulting strong focus on

[2] Ghosh (2005) refers to the increased involvement of the financial industry in the non-financial sectors of the economy as "financial entanglement", illustrating how crisis in the financial sector spills over much more dramatically where there are high levels of entanglement.

maximising shareholder value (see below) (Bonizzi 2013; Ashman et al. 2011; Stockhammer 2010). These large macroeconomic phenomena still need further analysis on a microeconomic level to better understand the dynamics and causality (Krippner 2003; Levine 1999).

Another oft-cited feature of financialisation is the concept of a ‘shareholder value orientation’. An excellent treatise on the concept can be found by Lazonick and O’Sullivan (2000). This generally refers to corporate governance that is pre-occupied with maintaining good share price performance, and is associated with a ‘downsize and distribute’ strategy – including large dividend distributions to shareholders – as opposed to a ‘retain and re-invest’ strategy (Lazonick & O’Sullivan 2000). Because of the focus on share price performance, firms show great concern for accounting formulae like Return on Investment (ROI), Cost to Income Ratio and Return on Equity (ROE), among others. Although such a focus is not necessarily detrimental in and of itself, shareholder value maximisation is often associated with short-term corporate restructuring and ‘rightsizing’ in the form of outsourcing and divestment that negatively affect both labour and capital in the long term (Froud et al. 2000: 772,788).

Froud et al (2000:792) explain that “*restructuring can be a defensive response by management which brings short-lived benefits for capital, as product, labour and capital market adjustments interact to create shareholder value*”. Shareholder value principles often also replace other, more socially beneficial goals like customer retention, production and managerial efficiency and maintaining employee loyalty (Lazonick & O’Sullivan 2000). Essentially, a firm’s performance is thus transported to a function of financial accounting indices and delinked from productive capacity, innovation and expansion (Froud et al. 2000).

Stockhammer (2010:4) further argues that the focus on accounting formulae has led corporates to rather take on debt as a source of capital, instead of equity, thus artificially creating a favourable ROE and increasing financial industry dependence. Similarly, firms also sell assets as part of a ‘rightsizing’ strategy, which artificially makes ROI and Cost to Income look better in the short term (Michell & Toporowski 2013; Lazonick & O'Sullivan 2000). Corporates are also seen to sell assets or take on more debt to pay dividends or buy back shares, all aimed at boosting the share price (Dodig & Herr 2014).

Another feature of financialisation is a perceived movement by non-financial corporations (NFCs) towards financial activity either because it is more profitable than alternative long-term investments in productive assets, or because it allows the firm to maximise shareholder value in the short term. Although it is not a new phenomenon to see firms using excess liquid capital to invest in financial markets, the sudden and large expansion of this activity represents a considerable crowding out of investment in productive capital stock in the real economy (Demir 2007; Orhangazi 2006). For example, Orhangazi (2006) found that the increasingly higher transfers to and from the financial markets by NFCs in the USA has significantly crowded out real capital accumulation, and exposed the economy to much more volatility and uncertainty (Orhangazi 2006).

Finally, financialisation can also be seen in the investment decisions made in the form of significant corporate restructuring and unbundling of value in NFCs (Isaacs 2015; Demir 2007; Anseeuw & Ducastel 2010; Chabane et al. 2006). Although this effect can be closely linked to the shareholder value principle and activity in financial markets in the short run, it can also develop independently of the shareholder value principle as a means to safe-guard liquid capital (Ashman et al. 2011). In particular, one might see much outsourcing of 'non-core' corporate functions and a larger focus on what is perceived as being the 'core' business (Mvelase 2015; Ashman et al. 2011). The aim of such a strategy could be to make the share price more attractive by reducing costs, and increasing income from the sale of non-core assets. This effect of financialisation seems to have a strongly negative impact on development, particularly on food security, labour conditions and employment levels (Mvelase 2015; Brooks 2016; Anseeuw et al. 2011; Stockhammer 2012b).

3 South African Political Economy and Financialisation

3.1 Transformation of South African Finance

Much has been written on South African economic and social transformation after Apartheid. This paper will not aim to capture all of the dynamics of this transformation, but builds upon Fine and Rustomjee's seminal work on the Mineral Energy Complex (Fine & Rustomjee 1996) which has remained central to the transformation and gives valuable insight into the movement of Afrikaner and English capital. This section also draws heavily from the work of Isaacs (2015) and Newman et al. (2011) who wrote with a specific focus on financialisation and liberalisation, while Chabane et al. (2006) examine the corporate transformation in the country.

The South African financial services industry evolved primarily out of necessity to power the capital intensive mining industry (Fine & Rustomjee 1996). As such, it became very sophisticated, and in 2015 was ranked the 12th most advanced in the world (WEF 2015). Mirroring concentration in the mining industry, the financial industry is also highly concentrated, where 5 banks dominate the entire industry. To support the rapidly expanding mining industry, South Africa has also developed a large and efficient agricultural industry which had extensive government support ensuring that food prices remain low, enabling a cheap pool of labour (Fine & Rustomjee 1996). The strength of the mining industry and the isolation caused by Apartheid meant that a deep integration of domestic capital formed around mining, energy and the financial services industry, where the latter again invested considerably into the rest of the economy, with little foreign diversification (Carmody 2002).

With the end of minority rule in 1994, the new democratic regime made considerable policy changes, most notably in broadly following Washington Consensus precepts. Much of the economy was swiftly liberalised and the many protection mechanisms were abandoned, notably so in agriculture. These changes have been a driving force behind the process of financialisation. Between 1994 and 2014, the growth rate of gross value added (GVA) in the finance, insurance, real estate and business services sector was 4.7% compared with GDP growth of 3.1% (Isaacs 2015). The financial industry has expanded significantly since liberalisation, with market capitalisation to GDP increasing from 123% in 1990 to 291% in 2007 and subsequently declining to 160% in 2012 in conjunction with strong growth in currency and derivative exchanges (Isaacs 2015). Additionally, household debt also increased considerably, with the debt to GDP ratio peaking at between 80% and 104% of GDP in 2008 (Isaacs 2015).

These changes were supported by the South African government through policies that enabled capital flight, more inclusive lending practices, and the creation of a favourable foreign financial/portfolio investment destination. There has also been a large movement of South African corporates taking funds offshore, especially towards global financial centres like London and New York. The opening up of South African markets to foreign portfolio and currency speculation has caused a dramatic increase in the stock of foreign assets and liabilities as a percentage of GDP over the past two decades (Isaacs 2015), inducing considerable volatility and crowding out domestic gross capital formation.

All of these indicators point towards an increasingly financialised South African economy on a macroeconomic level. Evidence of financialisation at a microeconomic level can be seen in the growing size and sophistication of commercial banks (Isaacs 2015) and the emergence of powerful domestic institutional shareholders like pension funds, mutual funds and insurance firms – these often wielding considerable sway over the governance of non-financial corporations (NFCs). Additionally, Chabane *et al* (2006) have observed a concomitant reorientation in corporate governance towards shareholder value maximisation, showing the extent to which domestic South African firms have experienced financialisation.

3.2 Transformation of South African Agriculture

These transformations in the broader economy have not left agriculture unaffected. The adoption of neoliberal policies meant that the powerful marketing boards and agricultural subsidies that favoured the white agrarian elite under Apartheid (Ducastel & Anseeuw 2016) were stopped, and, in an effort to redress past inequalities in the agricultural sector,[3] various land-reform policies were implemented. Although these initiatives have shown very little success[4] thus far (Aliber & Cousins 2013; O'Laughlin et al. 2013), the impact they have had on agriculture was extensive.

The end of protectionism saw a rapid reduction in firm numbers within the agricultural market. Old marketing boards and co-operatives often became large regional monopolies that were no longer heavily regulated and the larger, more efficient producers took over the less efficient ones who were no longer protected by government subsidies (*see* Ducastel & Anseeuw 2014; Manoim et al. 2007). Many of these subsequently became publicly-listed companies initially owned fully by the farmers themselves. Of those that did not become public entities, the vast majority are today large family-owned operations with a sizeable local economic footprint. Because of the increased concentration induced by deregulation in the agricultural market, the formation of strong farmer-cum-shareholder power groups could emerge – something that was not necessarily related to financialisation, but compounded its effects. This mirrors financialisation trends in the rest of the economy (Isaacs 2015). The relatively poor quality soil, the suddenly more 'expensive' labour, increases in taxation and non-existent government support for the industry meant that, to compete globally, the survival of South African agriculture very

[3] The social dynamics in South Africa around agriculture is important to understanding its transformation. The white minority who ruled under Apartheid, known as the Afrikaner, is a group of naturalized settlers representing an amalgamation of Dutch, French, German and native Khoisan ancestry. This group formed a national identity around being farmers, with much of the cultural ceremonies revolving around it. They are also colloquially known as "Boere" which is Afrikaans for "farmer". The agricultural industry therefore has a very strong cultural connotation where non-Afrikaners (even white English farmers) were often institutionally or socially excluded. For more on the transformation of Afrikaner capital, see Fine and Rustomjee (1996).

much depended upon maximising efficiencies and creating economies of scale (Manoim et al. 2007).

Here, it is important to understand the psychological effects induced by such a sudden change. Farm owners went from being in a socially popular, economically and politically protected industry, to an industry with virtually no protection and heavy social and political opposition. This sudden shift introduced into the farming community an ‘us-against-them’ culture where survivalist, almost militant rhetoric became common. This was particularly pronounced in the more traditional farming sectors of grains and livestock, as the case studies illustrate. The suddenly embattled agricultural industry thus faced not only economic competition, but also looming land reform, Black Economic Empowerment (BEE) policies, more stringent labour policy and often violent social or labour dissatisfaction.[5]

Changes within both the agricultural and financial sectors have changed the financial practices within agriculture. As Carmody (2002) explains, these changes have been mostly internally generated as the domestic economy embraced liberalisation policy. Before the liberalisation of the agricultural industry, the majority of agricultural debt was serviced by dedicated developmental banks and co-operatives such as the Land Bank whose sole aim was to make agricultural loans at subsidised rates. However, the new regime repurposed the Land Bank to lend more to previously disadvantaged farmers instead of established commercial farmers; making it more a tool of equity than one of agricultural development.[6] This in turn caused a very large shift of agricultural debt towards commercial banks, as Figure 1 below shows. In 1974, a mere 21 percent of total agricultural debt was held by commercial banks, yet in 2007 it had risen to more than 61 percent (Department of Finance 2010). Despite this change in the source of borrowing, overall

[5] One of the most controversial and widespread farm-related forms of violence is the so-called “Farm Murders”. Although the murders are incredibly brutal and violent, there are also widespread allegations that these murders mostly happen on farms with horrendous and equally violent labour practices. Far-right Afrikaner movements have lodged cases of genocide with the United Nations because of this.

[6] See the Strauss Commission findings and recommendations: DoA, 1996.

agricultural debt has remained fairly stable in real terms from the early 1990s onwards, as Figure 1 shows, reducing somewhat after the aggressive agricultural investment era of the mid 1980's.

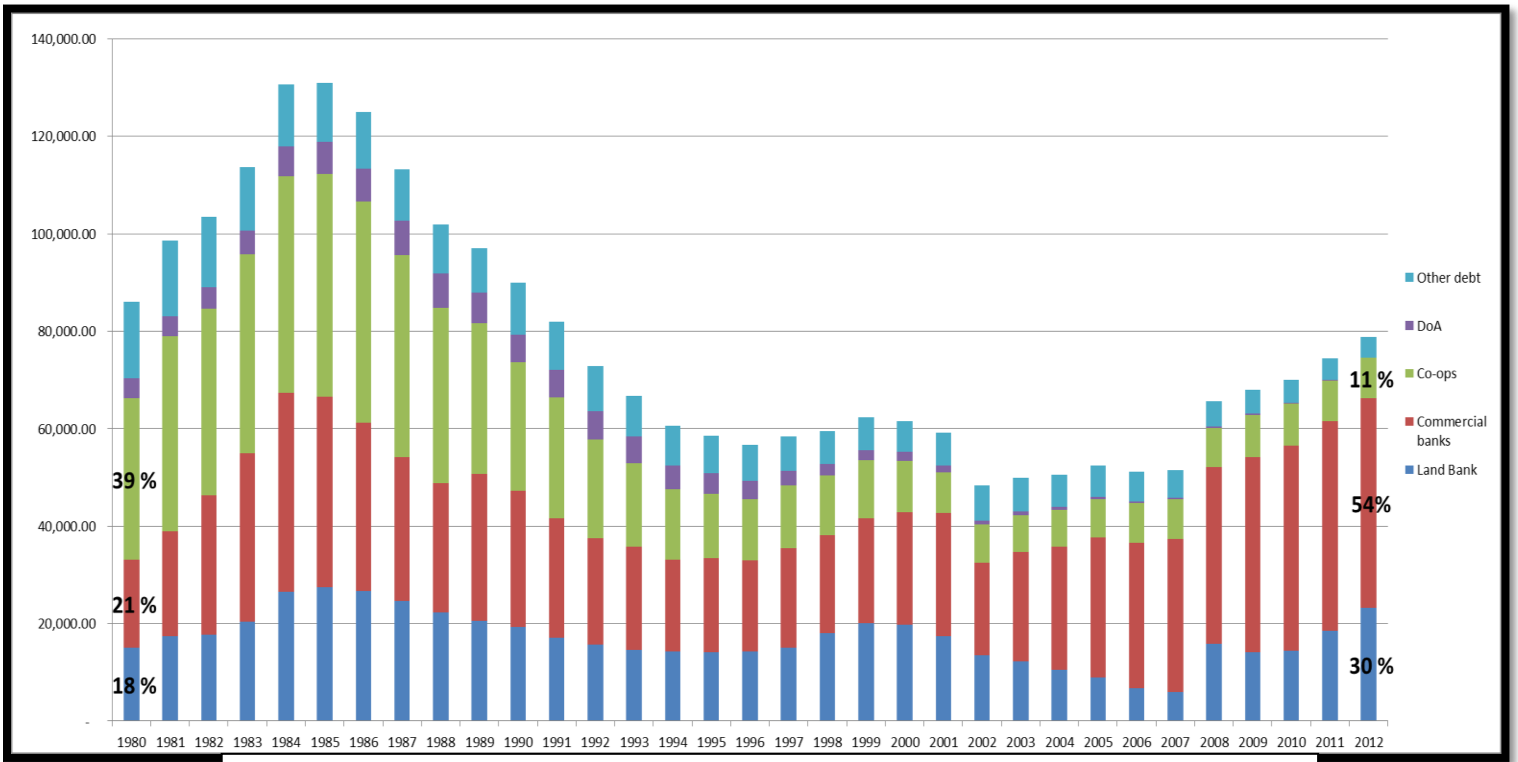

Figure 1 – Composition of South African Agricultural Debt
Source: Department of Agriculture and Forestry

In addition to this commercialisation of agricultural debt, in 1995 the JSE also created an agricultural futures exchange (Safex) for grain and oilseed commodities.[7] This would convert the once protectionist agricultural sector to an industry governed by financial market dynamics, now fully open to non-agrarian speculation and international participation. The shift in key agricultural products from a mandated price (calculated on a cost-plus basis) to a free-floating market-determined prices[8] naturally introduced considerable volatility (Wyk 2012). Today, the Safex bourse is considered a global leader in agricultural commodity trading because of its sophistication (Wyk 2012), and it trades more than eight times the underlying value of its commodities (Manoim

[7] Safex trades white and yellow maize, wheat, soy, sunflower seeds, sorghum and corn. These form the basis of the inputs into all major livestock and staple production chains.
[8] Much has been written on price formation on Safex, most notably academics at the University of Pretoria (*see* Geyser & Cutts 2007; Cutts & Kirsten 2006).

et al. 2007:5). This shows the financialised nature of the South African grain industry in particular. This transformation is summarised by Anseeuw *et al.*:

"*Today, the South African farming sector is thus one of the most deregulated, but also one of the most structured, offering a range of instruments of risk management to the investors. In the international context of the "revival" of agricultural investment, this country represents a convenient base for financial experiments. The countries' land resources and its role as a regional power also stimulate the interest of the investors for this market. As such, South Africa [is] a laboratory of new agricultural and investment practices*" (Anseeuw et al. 2011:4).

The post-liberalisation period also saw increasing activity by financial institutions in the direct governance and control of agricultural firms – termed 'production grabbing' by Anseeuw and Ducastel (2010). The Senwes case study, as well as Ducastel and Anseeuw's (2014) study on Afgri Ltd., show how higher commercial debt levels formed the basis of agricultural financialisation and 'production grabbing' where fundamental organisational changes were imposed by large financial institutional shareholders and debtors. Afgri, being the largest competitor to Senwes Ltd., offers an interesting potential comparison that could be an outflow from this study.

In summary, the South African experience of liberalisation and globalisation has been both extensive and swift. The result has been a clearly financialised economy that is very susceptible to international volatility. It also meant a change in the relationship between the financial industry and agricultural industry players emerges due to the shared severity of this transformation. As such, these dynamics and experience will be explored with reference to two specific case studies in the next section.

4 Case study – Senwes Ltd.[9]

4.1 Introduction

Senwes Ltd. is an ex-co-operative, formerly known as the Sentraal-Wes Kooperasie (or "Central-West Co-operation" in English), located in Klerksdorp in the North-West Province. Its traditional locum of operation is in the Free State and North-West provinces, which still contain about 75% of its business units, though it has expanded into all other provinces of South Africa except for Limpopo and the Western Cape (the latter containing only 3 Senwes affiliated retailers). Although Senwes does not produce any primary agricultural output, it has emerged as a critical intermediary in the grain and oilseed industry and provides a very broad spectrum of agricultural services and products, from produce storage and transport, mechanisation support and equipment sales, retail agricultural product outlets and agricultural credit services.

As a grain co-operative formed and capitalised in the Apartheid era, Senwes has seen considerable transformation since inception. At the outset it was characterised by state investment in the construction of its silo network – investment that is generally not seen as very profitable because of the large capital outlays required, high maintenance costs, immovability and the fact that most silos are far from optimal capacity for most of the year (Manoim et al. 2007). It was also, like all co-operatives, protected by law from competition.

Co-operatives were subject to the governance of its members – the farmers who sold produce to the co-operative. Senwes' particular structure, common for the time, meant that farmer-members nominated and voted for representation on the Senwes governance board on a ward system. The representatives would then govern and report on activities, buying grain from its members and reselling it at the government mandated price. The aim of the co-operative was never to maximise profit. Instead, its primary function was to protect the collective operations and bargaining power of the farmers.

[9] This section is heavily based on an interview and subsequent interactions with senior executives at Senwes, as well as Senwes annual reports. (Anon 2016a)

It also helped to ensure mandated prices were enforced and to distribute the agricultural benefits from government. As such, its structure was from inception carefully designed to create and preserve a very specific agrarian elite.

4.2 Transformation after Apartheid

With the abandonment of agricultural protection under the new South African regime, Senwes, like many other co-operatives, converted its operating structure by issuing public shares to its members in accordance with their contribution to the co-operative, and become a public (although unlisted) company in April 1997. This represented an enforced migration from an organisation with a very social structure of voting and representation enjoying political support, to a financialised structure based on equity and capital, essentially seeming to substitute political support for financial industry support. Not only did support migrate, but so too did the axis of power in the co-operative world, shifting from the government to the holders of capital: the financial sector.

During the transformation to a public corporation, there was therefore a marked shift towards maximising profit and value for its farmers-cum-shareholders. Despite unofficially keeping the ward system as a way to elect board members, the shift in Senwes towards a corporatised firm seeking profit maximisation at all costs was swift and dramatic, driven by the immediate need to capitalise the newly formed public entity via equity participation. The company abruptly moved away from its core activities in storage and intermediation as a source of growth. Instead funds were channelled towards unrelated investments in, among others, retail vehicle franchises, luxury car-seat manufacturing and frozen vegetables. Much investment was also channelled towards speculative buying and reselling of minor equity stakes in a vast array of listed companies.

The advent of the Safex played a significant role in Senwes' transformation. With the formation of this market mechanism in 1995, it was suddenly necessary for Senwes to employ traders and market analysts to inform grain storage policy when previously that was the domain of managers and scientists. This rapidly introduced the notion of securitisation and financialisation to its very core – transforming its traditional *raison-d'être* into a function of financial market speculation and not a function of its suppliers' wellbeing. Indeed, because its suppliers were also transported into the financial market through share ownership, their wellbeing was thought to be expressed in an increasing share price. Because of such a fundamental challenge to its business model it was easy to justify and deepen financial market integration as a strategy for growth. Indeed, such rhetoric typified the management in the 1997-2000 period (Senwes 1997; Senwes 1998; Senwes 1999).[10]

Apart from speculation, Senwes has also formed a much closer relationship with financial institutions; its historic limitations to make investments and loans as it saw fit caused the relationship with commercial banks to be similarly limited. Under the newfound freedom, banks were increasingly used to provide leverage finance to fund the additional investments, but also to partner in other investments. In particular, the relationship Senwes had with Absa bank (formerly Volkskas[11]) before 1996 evolved considerably. Originally this relationship was a 'client-corporate' relationship – where the client (Senwes) initiates interactions with the bank and is dictated certain fixed rates and banking products. This evolved into a 'corporate-corporate' relationship where the bank would also approach Senwes to offer bespoke products and

[10] The annual reports immediately after market-orientated restructuring all sound exceedingly optimistic about the new trading mechanisms. As an example, the chairman wrote in 1997 that "…the opportunities brought about by favourable grain crops were exploited effectively by … the Trade Department." and "Due to certain proactive actions, the Grain Marketing Department capitalized on the opportunities resulting from exposure to natural market forces and made a significant contribution to the company's financial results." (Senwes 1997).

[11] Once again, the cultural implication of Senwes partnering with Volkskas Bank is interesting. Volkskas (translated roughly as "Fund of the Nation") was formed to provide finance primarily to the Afrikaner population, being the only non-English bank in the country at inception. Being one of the six 'axes of power' that controlled the JSE, as outlined by Fine and Rustomjee (1996), the amalgamation of Volkskas into an international banking house seemed to have brought along its cultural partners into a financialised structure of capital accumulation.

preferential rates,[12] giving birth to the advisory relationship where both Absa and Senwes often invested together (often the former doing so at the advice of the latter). This is evidence of the increasing sophistication and 'entanglement' of the financial services industry in non-financial industries that is central to the financialisation literature (Ghosh 2005). As we later see in the Senwes debt crisis of 2000, the relationship evidently evolved into what can be described as mutually induced crisis, reminiscent of Palma's (2000) analysis of induced macroeconomic crises.

Apart from banking involvement, the Senwes share price rose with short-term market speculation, and because many farmers retained their shares simply out of a psychological value of the share, the supply was artificially depressed, causing bubble-like conditions. The management, who were, by virtue of the election process, more politician than businessman, impressed investors and other stakeholders enough to acquire more funding and spur further share price increase. These efforts mirror what was previously discussed under the short-term aspirations of maximising shareholder value through focusing on key accounting formulas (*see* Lazonick & O'Sullivan 2000).

4.3 <u>The Senwes debt crisis of 2000</u>

When, in the wake of the East Asian debt crisis, the most severe economic shock yet of the newly liberalised South African democracy hit in 1998, many farmers sold both shares and farms in a large market consolidation (OECD 2010). In order to combat an exchange-rate crisis at the time, the South African Reserve Bank increased the repo rate to exceptionally high rates in 1998 (Carmody 2002). This in turn caused Senwes, who was by then heavily indebted, to struggle to make its repayments. At the same time, the economic down-cycle also caused one of Senwes' biggest investments – in the retail car

[12] This view and wording of segmenting customers is common in the banking industry and speaks of a complex price discrimination mechanism to offer only high value services to high value clients. For more on price discrimination, see Meyer (1967).

sales market – to come to a grinding halt because of its dependence on available credit facilities.

Then, in 1999, a drought occurred, which meant that several of the less efficient farmers (who had up until this point not experienced a severe drought without government subsidies) defaulted on finance and production obligations to Senwes, producing a much smaller than would be expected income from its traditional market. Many of these farmers also sold their land and shares in Senwes, creating a sudden supply shock in the share price which caused additional investor alarm. As a final *coup de grâce*, a recent and substantial investment by Senwes into car seat manufacturing turned sour when it emerged after the purchase that the company, Kolosus, had a pending intellectual property lawsuit worth millions of US dollars.

This all raised serious concerns about the capabilities of the executive management. Being completely illiquid, very close to bankruptcy and on the verge of collapse, Senwes shareholders dismissed the old board and appointed new members, abandoning the old ward system. The new board in turn removed all but one of the old senior management, and agreed to be controlled by a consortium of banks to whom Senwes owed money, in exchange for better repayment terms.

The above highlights how external developments (such as liberalisation, deregulation, the advent of agricultural derivative markets etc., themselves associated with financialisation) led to a financialisation in the operations of Senwes and increased its entanglement with the financial industry. This laid the basis for its subsequent crisis that then brought about even greater financial industry involvement.

The new board and senior management appointed after this intervention seems to have transformed as well. As Figure 2 shows, there was a marked migration of senior management and directors from scientific and agricultural backgrounds towards including more people with financial and business education backgrounds. The composition of farmers to non-farmers remained the same, however. The meritocratic standards used to appoint them also represented a change in the shareholders' values from traditionalist trust in the elected representatives, to a market-orientated expectation to prove performance. The cultural change in Senwes was also dramatic. For the first time, Senwes felt not only the power, but the burden of accountability from its shareholders, and the change in culture suddenly shifted towards a more conservative approach to business (Senwes 2000; Senwes 2001; Senwes 2002).

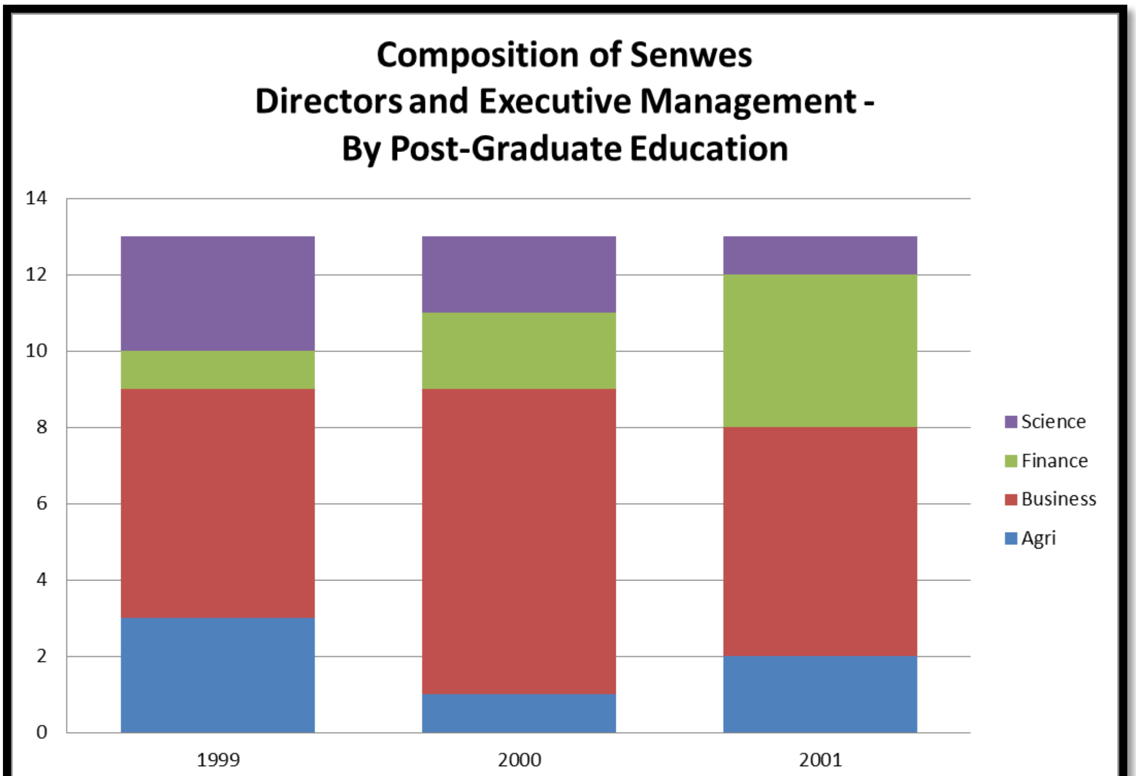

Figure 2 – Composition of Senwes Management

Note:
"**Science**" includes degrees like BSc, BIng and similar
"**Finance**" includes financial qualifications like Chartered Accountants, Professional Accountants and similar
"**Business**" includes MBA, BCom degrees and includes accounting degrees below Honours level
"**Agri**" includes specialised agricultural diplomas only

Source: Senwes Annual Reports, own calculations

The new management was also subject to the bank consortium, who had to approve all important appointments and large transactions. They also implemented a strict standard of so-called 'banking caveats' to which Senwes had to comply. Most of these caveats represent what is generally understood to be 'Good Corporate Governance' and other features that constitute efforts to maintain 'Shareholder Value' and financial industry indices of sound investment such as sound Cost-to-Income ratio's and multiple levels of mandated approval for transactions, as well as a much more powerful risk management function. These would instil in Senwes a strong sense of being part of a financialised economy, embedding its principles into the very culture of the organisation.

4.4 Senwes under the banking reform

One of the first actions under the new administration was a vast unbundling of Senwes' investments to make bank repayments. Senwes sold more than 20 majority stakes, almost all at a loss, to cover banking debts. Because of the sales, it reported considerable losses.[13] Many of the investments sold, such as Country Bird, McCain Frozen Foods, Pioneer and Proffert, were then, and still are today, very profitable businesses, while others, like their vehicle retailers and Kolosus, were simply experiencing a temporary downturn. This is an interesting example of the 'unbundling of value' found in the literature (Newman 2014; Stockhammer 2008) – though here it is not so much a part of a planned corporate strategy, but rather imposed as a requirement for survival. Interestingly, most of the companies whose shares Senwes were told to sell by the banking consortium also had considerable shareholding or exposure from those very same banks.[14]

[13] Senwes reported a loss of R115mil in March 2000, while the consortium and new board were formed later in 2000. In March 2001, it reported a loss of R468mil, mostly because of the sale of its equity assets. In the same year however, it repaid R199mil of its banking debt.

[14] In the most striking example, Absa Bank Ltd. had a 28% share in the car seat manufacturer, Kolosus, whose pending lawsuit caused considerable reputational damage to the Senwes management. Senwes' 63% share in the company was sold for R1 to Claas Daun, who subsequently managed to settle the litigations through negotiations with the claimants.

Having settled most of the debts held by the banking consortium, the consortium was eventually dissolved in 2002. As a legacy, the banking compliance years left a dramatic cultural change in Senwes, which was now fully incorporated into a financialised agricultural industry. Senwes also maintained the meritocratic way of appointing board members and, more importantly, senior management – both now valuing financial prowess above technical knowledge (Senwes 2006; Senwes 2003). Senwes still appoints ex-banking executives and financial professionals on its board in the form of non-executive independent board members, and still complies to banking caveats, even though they are no longer binding.

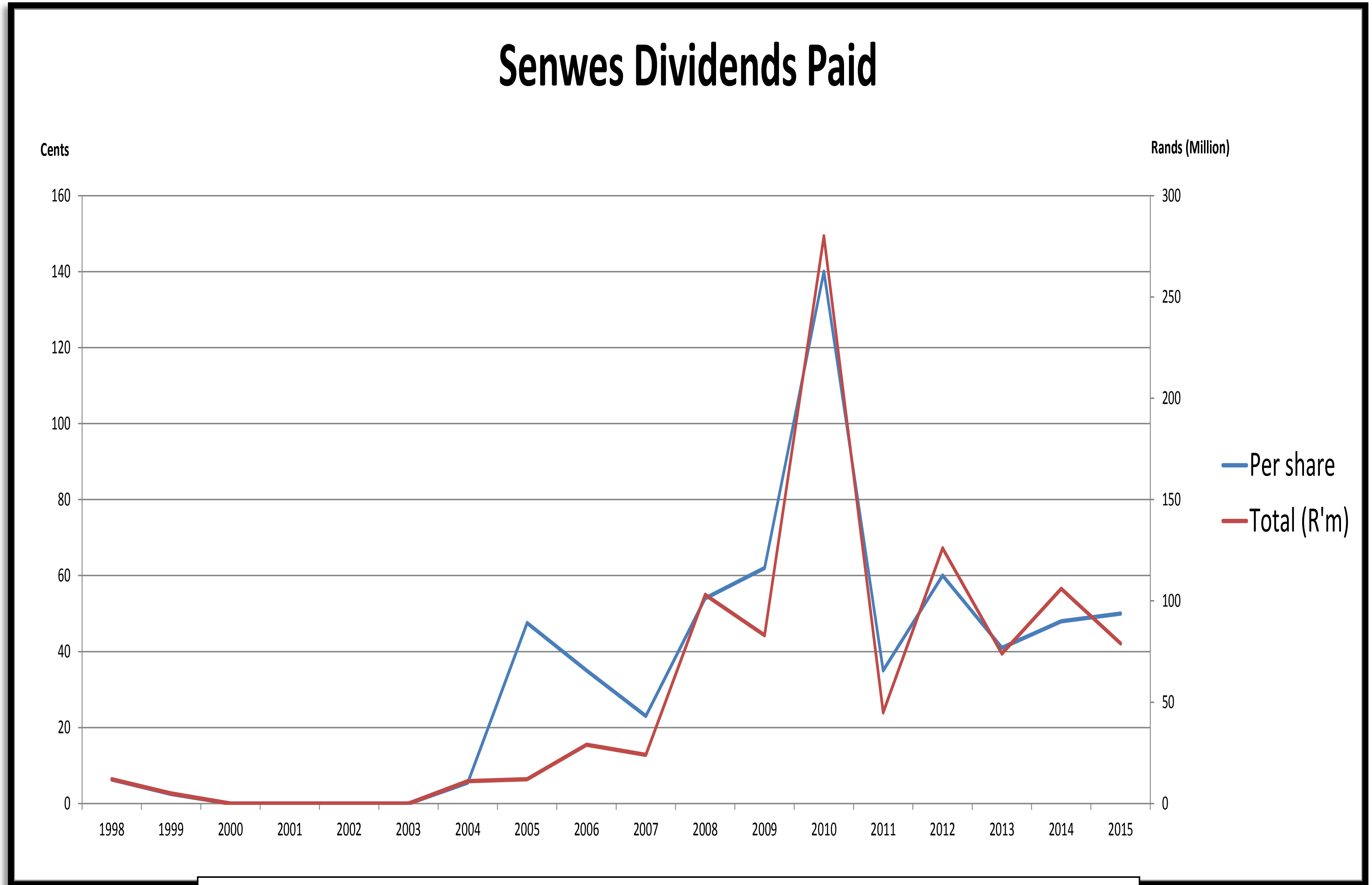

Figure 3: Senwes Dividend Paid (Total)
Source: Senwes Annual Reports 1998-2015

4.5 A reformed Senwes

After the bank consortium period, Senwes emerged with a renewed focus on creating value for its shareholders, but concluded that preserving and protecting its farmers is critical in doing so. The banking period's divestiture meant that Senwes no longer had investments unrelated to the industry it was operating in, but also meant that it had sold valuable investments in businesses that were operating in its industry, such as the very successful seed developer company Pioneer. As a result, Senwes' investment behaviour changed from an M&A strategy to greenfield investments, often through joint ventures capitalised by another partner. As an example, Senwes embarked on a 50-50 joint venture with Imperial Logistics Ltd. to facilitate its silo grain contract delivery offering, instead of simply buying shares in Imperial Logistics Ltd. It also dramatically reduced the practice of hedging risk through owning a large and diverse equity portfolio, something associated with a financialised concept of risk (Borio 2011). Instead, risk management became a function of corporate governance and diversification of product offerings through the above-mentioned joint ventures.

The new dispensation therefore saw great importance in creating value for its shareholders and in building an attractive, stable share, though returned to a strong focus on maximising profit for its farmer suppliers, not only itself. This prioritisation of shareholder value maximisation is witnessed by much higher dividend pay-outs as is seen in Figure 3 above. These increased from under 10 cents per share before 2004 to the norm being above 40 cents with a spike in 2010 to a pay-out of 140
cents because of the excess cash profits induced by high grain storage capacity (Senwes 2010). To be sure, Senwes was more profitable during the period of higher dividend yields, though this shows evidence of the unlocking of shareholder value that does not seem to support a retain-and-invest strategy. However, there is also little evidence of a downsize-and-distribute strategy, since the same time-period had few substantial divestments – again indicating the variegated experience of financialisation within Senwes.

At the same time considerable investment was made in Research and Development (not usually associated with financialisation) aimed at making South African farmers more competitive globally, as well as offering world-class mechanisation technology and complimentary agricultural services. The alignment seemed to move from a situation where Senwes' success meant the success of the farmers, to an understanding that the farmers' success meant the success of Senwes.

The relationships with banks also changed. Senwes seems to have wrested back much of the control the banks had over them, especially after 2005, primarily for three important reasons. Firstly, because of the sound and conservative corporate policy and culture, the Senwes risk appetite was considerably reduced, and there existed a much smaller need for banking institution products like debt and investment instruments. Secondly, there also emerged a general misalignment between the very cyclical nature of farming and the constant and rigid banking expectations. Because of Senwes' proximity to its farmers, it was relatively easy for Senwes to expand its credit facilities to farmers and further disintermediate commercial banks. This may have contributed to a subtle power shift between Senwes and the banks. Finally, Senwes also played the major banks off against each other, embarking on a joint venture with Wesbank, while its traditional transactional banking partner was Absa bank. It also moved and threatened to move its substantial liquidity capital and transactional relationship. As a result of these factors, Senwes seems to have developed a relationship where their strategy informs banking behaviour, though the bank and ex-banking executives remain a powerful voice in the Senwes body.

It is also in this period that Senwes embarked upon a BEE partnership, though this does not seem to have significantly altered its culture, operations or primacy of their farmer suppliers in the business model (this is discussed further below). What is clear from this period, however, is the variegated experience of Senwes during financialisation. It seems to have adopted a less close relationship with commercial banks than before and invested heavily in

R&D yet also made considerable dividend payments in pursuit of shareholder value maximisation associated with financialisation. The seemingly contradictory developments suggest a varied nature of agricultural financialisation in South Africa.

4.6 Changes in operations and services

During the Apartheid era, Senwes was primarily concerned with the storage and collective resale of grain and oilseeds. At 4.6 million tonnes total capacity, Senwes contributes close to a third of South African grain and oilseed storage capacity, and most of these silos have imperfect natural regional monopolies. Since the storage facilities are the only viable way to ensure commodity quality standards, all farmers are obligated to sell their produce to a silo before being able to sell it on Safex. The location and efficiency of the silo is also a critical factor in the profitability of any farm. As such, Senwes has established itself as a market leader in silo storage – it is not only the quickest off-loader of grain produce from a farmer's truck, but it can also accept wet grains, which means farmers are able to harvest a few months earlier each season, affording valuable preparation time for the next season's planting. Most of these innovations only emerged in the post-2005 period with Senwes' refocus on farmers and core market efficiency. Yet despite its edge, Senwes is still capped by its silo footprint nationally, putting the proposed merger with NWK (see below) into better perspective.

Because of its dominance in the storage market, Senwes has been found guilty of anti-competitive behaviour in the agricultural commodity market (Manoim et al. 2007). At the time of the finding, it contributed 16% of white maize trading, 9% of yellow maize, 24% of sunflower and 13% of wheat trading – thus being the largest single trader in all but the yellow maize market on the Safex bourse.[15] The finding from the investigation confirmed the fundamental change in Senwes' operational behaviour where, in the words of

[15] The Competition Commission found that, because in order to trade commodities, a farmer had to take their produce to storage, and because Senwes had a natural monopoly in storage in its areas, it was possible for Senwes to act uncompetitive in the downstream trading market. For more on the so-called 'margin squeeze' abuse of dominance finding, see Manoim et al. (2007).

the Competition Commission Tribunal "*trading has become such an important component of its business that its trading strategy has informed its storage policy, with the trading tail wagging the storage dog*" (Manoim et al. 2007:5). This once again shows the extent to which Senwes changed from a simple grain storer to a dynamic trader skirting the laws of competition policy.

Apart from storage and selling of commodities – its traditional market – Senwes has also after 1996 developed and improved on a vast array of complementary services. From selling mostly wholesale agricultural inputs, Senwes has expanded a very large retail footprint and have secured the right to be the sole distributer of John Deere agricultural mechanisation equipment in South Africa, selling this mostly on instalment credit or on specialised harvest indentured financing plans. It has also filled the void left by the marginalisation of the Land Bank by expanding its financial services to offer a large bouquet of other financial services such as insurance and investment advisory services – pointing towards strong elements of financialisation.

4.7 Transformation of ownership structure

The Senwes ownership structure has changed and adapted somewhat to the changing circumstances. As mentioned, in 1996, 100% of the shareholders were farmer producers. At the outset a group of these farmers pooled together their shareholding to form Senwesbel Ltd., who has remained the single largest and controlling investor in Senwes, holding considerable sway of the company.[16]

Senwesbel was created with the sole purpose of investing in Senwes Ltd. and is mandated under its Memorandum of Incorporation to require special shareholder permission to reduce its shareholding in Senwes below 35% of voting rights. It is also mandated to provide board nominations and appointments to Senwes (Senwesbel 1996). Senwesbel is in turn owned by a

[16] Of the 13 board members on Senwes' board in 2015, 6 of them are appointed by Senwesbel, 1 by Grindrod, 3 were independent non-executive members and 3 were executive members with shareholding in Senwesbel. In other years, many of those members not directly appointed by Senwesbel, were also involved in Senwesbel.

collection of almost exclusively farmers, 10 of whom control close to 50% of the shares, while the other 50% is well distributed between smaller farmers. The composition and ownership of Senwesbel has seen no significant changes since its creation in 1996, and it has always remained the real seat of power behind Senwes. It's dividend pay-out also mirrors that of Senwes closely.

The composition of farmer shareholding in Senwes (either through Senwesbel or direct shareholding in Senwes) has significantly eroded since its inception, as visible in Figure 4. There are various causes of this reduction in ownership, but one of the most pervasive reasons may have been the increasing concentration of farmers within the agricultural industry – particularly in the Senwes area of operations. Thus, as farmers sold their farms and equipment to larger commercial farmers, they also sold their shares in Senwes – these largely being perceived psychologically as part and parcel of producing primary agriculture in the Senwes area. Some of these shares, like the farms, were seemingly taken over by other larger farmer producers, though many of the shares eventually found their way into investor hands and became traded on the open market. To guard against large amounts of speculative Senwes shares on the open market, Senwesbel has offered beneficial buy-back schemes, most notably in 2004 and 2014, to consolidate its holdings and retain control over decision-making.

Interestingly, in the periods when Senwes was most focused on maximising shareholder value and speculating via financial instruments, its shareholder composition was much the same as the years that it was a co-operative. It could thus be said that the drive to maximise value for shareholders was not just a function of the demand from shareholders, but rather an internal response to the changing economic conditions as discussed above. Indeed, with shareholders consisting mainly of farmers, there was probably little stock placed on accounting indices and risk measurements. Here we can also see how the process of financialisation within the economy changed not only the operations of Senwes, but the psyche of shareholders, who after the debt crisis were suddenly much more sensitive to shareholder value maximisation principles. To be sure, as Figure 3 illustrates, the post 2000 shareholder of Senwes certainly seemed to have also expected a much higher dividend pay-out than before, further illustrating this changing psyche.

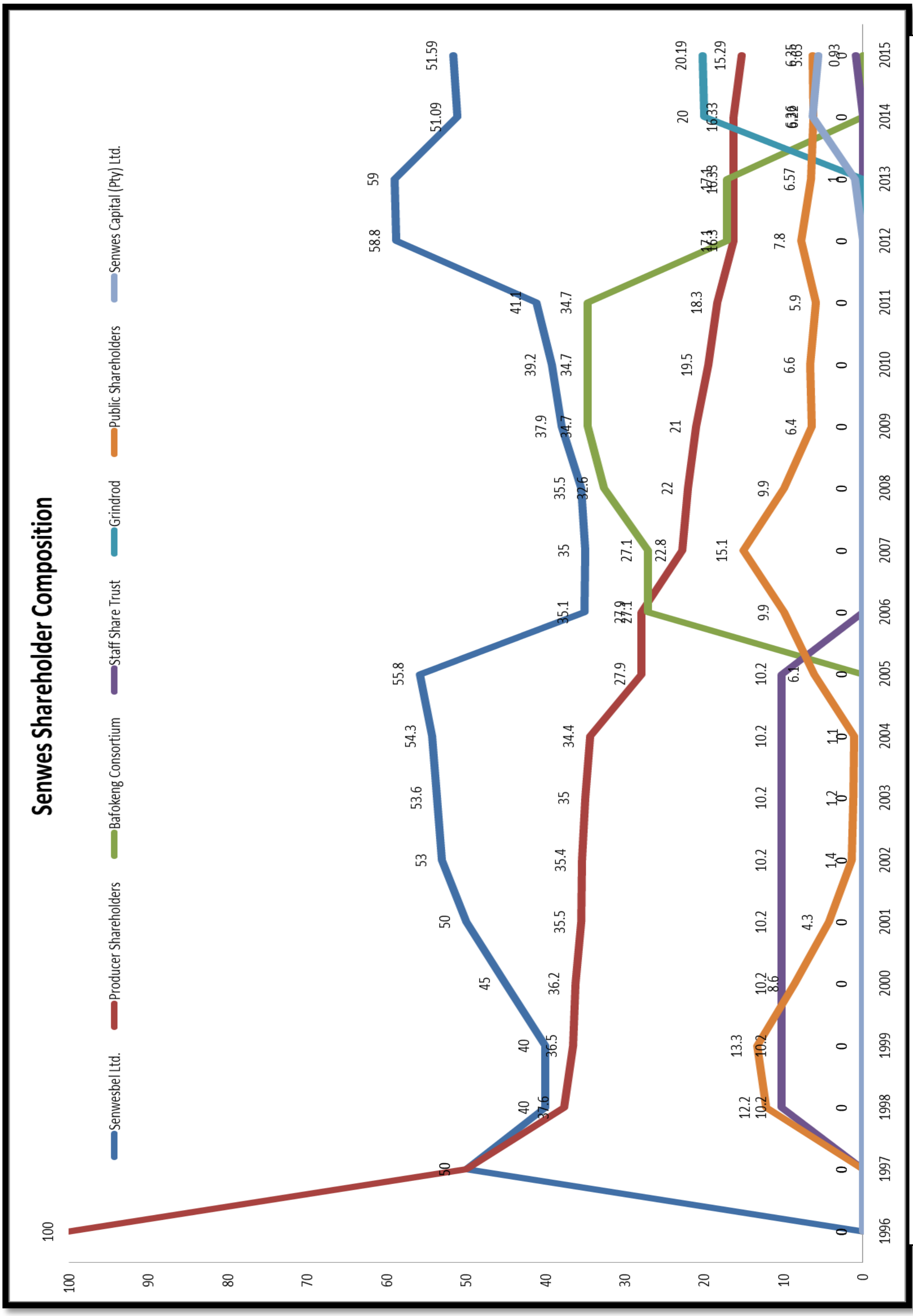

Figure 4 – Senwes Shareholder Composition
Source: Senwes Annual Reports 2003-2015
Data for 1996-2002 is projections based on verbal interviews

4.8 Senwes and Black Economic Empowerment Policy

In early 2006, Senwesbel released a considerable portion of its equity in favour of a BEE partnership with the Royal Bafokeng Consortium (RBC).[17] The Consortium gained a 27% stake in Senwes, and appointed 2 board members, while Senwesbel agreed to reduce its shareholding in favour of the RBC to 35%. This relationship would become a source of great disagreement and disillusionment to both parties as the RBC aimed to wrest away greater power and influence from the entrenched Senwesbel group, both parties citing cultural differences as the source of disagreement. Whatever the nuances of the politically and socially volatile partnership, all parties agree that very little Black Economic Empowerment took place, with much resource wastage experienced.[18]

From 2008, the RBC aggressively aimed to increase its shareholding primarily by buying from public investors. It did so also with the help of the Industrial Development Corporation (IDC) and a black ex-Senwes board member. This led to similar share-buying by Senwesbel. In a hostile attempt to take control of Senwes, one of the members of the RBC, Treacle, attempted unsuccessfully to launch a lengthy court case against Senwesbel, claiming that the original share ownership Senwesbel had in Senwes was illegal. In 2011 – disillusioned by its attempt to wrest control of Senwes, and unable to increase the RBC's shareholding above 37% – the Royal Bafokeng Financial Investments Holding company, who constituted close to half of the RBC, decided to sell its shares. After a first unsuccessful attempt to sell its shares to Treacle, it instead sold it back to Senwesbel. Treacle in turn lodged a second unsuccessful case against Senwesbel, this time at the Competition Commission claiming the share-sale to be an uncompetitive merger. After

[17] The consortium consisted of the Royal Bafokeng Nation and the Treacle Nominees Holding Company – both BEE firms that were already fully capitalised and thus no need for a share funding scheme was necessary. The consortium later also included the Industrial Development Corporation (IDC), as well as shares held by a former Senwes executive, Oupa Magashula. The ownership contribution to the RBC changed over time, though the Royal Bafokeng Nation remained the largest, though less aggressive, of the partners. The preferential shares ceded to the RBC included a repurchase option that Senwesbel could exercise after a set period or if the RBC wished to initiate the return.

[18] For a more complete discussion on the dynamics and failures of Black Economic Empowerment Policy in a financialised South Africa, see Marais (2011).

another 2 years of turbulent relations with Treacle, all the BEE partners eventually sold their shares, and a new strategic partner was identified in Grindrod Ltd., who then bought 20% of Senwes shares in the end of 2013.

The failed attempt at redistributing capital in the agricultural industry seems to support Newman's (2014) finding that financialisation is often tailored into a vehicle in which existing inequalities are aggravated or, at the least, maintained. The artificial fluctuations in the Senwes share price induced by the power struggle also support the notion of the detachment of underlying value, where the share price at the time grossly overinflated the underlying value of Senwes and causing a herd-mentality of investment.

Here therefore, we see that financialisation favoured incumbents in two particular ways. Firstly, because ownership was now transferred to a supposedly 'free' system of share trading, it was assumed that ceding share ownership would translate into a cessation of control. Put differently, it was assumed that changes in ownership would mean changes in operations. Ironically, the pressure to create value for shareholders (be they black or white) seemed to override the pressure to transform business practices, probably because the former was supported by most shareholders, while the latter only by the BEE consortium (and then also with little clarity on what is meant with 'transformation'). Thus, decisions on management positions and operating procedures were judged firstly on their merit to create value for shareholders, then clients, then employees and finally to transform in line with BEE legislation (Senwes 2007). Logically, shareholder value maximisation principles do not easily cater for fundamental restructuring and replacement of experienced executives, as BEE regulation suggests, and we thus see how financialisation contributed to BEE legislation playing second fiddle to shareholders.

Secondly, under the equity participation scheme used in Senwes, the process was from the outset on the incumbent's terms, with power greatly biased against the black entrants. Additionally, Senwes was coerced by legislation into adopting such a scheme, causing additional enmity before the process even started. Not only were the existing shareholders therefore biased against the BEE Consortium, but internal management and employees, as well as clients, had a dislike of the new entrants. The financialised way in which transforming ownership and power within the economy (BEE) was approached, in this instance gave the impression to stakeholders that the Consortium was being unfairly given something that they did not merit – despite having bought the shares with their own capital.

A final interesting observation is the way in which the share scheme created a black rentier class instead of a black industrial class, as the legislation intended (Chabane et al. 2006). Through share ownership – even a very large non-controlling portion – there was not a great opportunity for black participation other than being appointed directors or working as lower-level labourers. The middle and top level management remained closed to black professionals. Black owners or employees were not given a mandate or opportunity to build new ventures or capitalised new industries. Instead, they were expected to remain sanguine beneficiaries of Senwes' rents. The moment they strove for more, they were met with hard resistance.

4.9 International partnership

Senwes' subsequent partnership with Grindrod, an international logistics company, is seen as a way to grow a critical arm of Senwes' business model, while Grindrod views the investment as a way to hedge and expand its agri-processing business. The two companies seem to share a similar vision and have complementary corporate cultures; Grindrod still has a close to 90% South African shareholding despite its global footprint. Grindrod shows considerable evidence of being governed by shareholder value principles, as one would expect, since 37% of its shares are controlled by Financial Service Corporations. Its largest investor, Remgro Ltd. – the investment holding company founded by Anton Rupert – controls 23% of the company and seems to wield considerable sway over its governance, while its second largest investor, the Grindrod Family Investment Holding Company, controls only 10%. Thus more than 60% of Grindrod's shares are held by Remgro and the financial service industry collectively – creating a strong voice for shareholder value maximisation and financialised corporate governance.

With the inflow of capital and a positive corporate atmosphere because of Grindrod's partnership, the board at Senwesbel concluded successful negotiations with the board of NWK Holdings Ltd. to propose a merger. NWK (formerly Noord-Wes Kooperasie, or 'North-West Cooperative' in English) is the third largest ex-cooperative in the grain and oilseed industry, and one of the closest geographic competitors to Senwes. Despite being competitors, the two companies already successfully merged their insurance and lime businesses and share a similar corporate culture and modus operandi. As such, they seem to be partners more than competitors, especially since the natural monopolistic nature of their immovable core businesses (grain storage) makes competition less relevant.

Despite these evident synergies, however, the NWK board, who needed a 67% approval from shareholders on the merger, received only 60% approval, and so the merger did not take place.

4.10 Conclusion

To capture the evolution of Senwes, we see how Senwes went from merely storing and selling grain, to an influential agricultural and quasi-financial intermediary that now sold seeds, equipment, insurance, bridging finance, derivative trading facilities, logistics and a vast array of retail service offerings. Its core business evolved from a function of science and management to a function of speculative trading and investment on Safex. The transformation in its shareholding was less pronounced, though the behaviour of the shareholders (though still farmer-producers) has brought about considerable managerial changes. Let us then examine the particular forces that empowered these transformations.

Firstly, the influence of liberalisation and adoption of free-market macroeconomic policy is clearly seen. Its effects are seen most pronounced in the increased market concentration and the pressure of external competition which, in Senwes' case, introduced the need to vigorously innovate and seek alternative income sources from its traditional operations. The latter would be the driving force behind the investment frenzy of 1996-2000.

Secondly, the regulatory changes in the form of Safex allowed speculative activity to become a central part of the business model. This transformation may have had a disproportional effect on the modus operandi of the firm, spreading the adoption of a speculative culture throughout the rest of the business quite rapidly. Other studies on firms similarly affected by Safex's introduction could offer further understanding of the scope of this transformation.

Thirdly, the transformation of ownership structures also meant that ownership evolved from a quasi-political institution to a corporate financial structure. The effects this had on the psyche of the shareholders is seen in the way they suddenly expected unlocking of shareholder value and supported the movement to a more financialsed board and management. We therefore see that although the make-up of shareholders did not change much, the changing structure created a strong force by which financialisation was introduced and sustained in Senwes.

Additionally, the changing role of banks in relation to Senwes – particularly the relationship with Absa – would be another major force facilitating financialisation. It does not seem as if the bank played a significant role in driving financialisation, though it certainly enabled an environment of rampant debt accumulation and financial market speculation. Indeed, one sees how the banks enabled both the growth of Senwes while sowing the seeds of its crisis as well, which in this case caused even more financialisation of the company. The way in which the banks enforced divestiture and appointment of senior officials with a financial background is evidence of this.

Finally, the idiosyncratic features of Senwes, being an expression of Afrikaner agrarian capital, also caused additional impetus towards financialisation. From a political economy perspective, when support from the Afrikaner government evaporated in 1994, the only alternative under the new regime was to embrace a free-market reliance on the finance sector. Indeed, its early survival and capitalisation was utterly dependent upon close relationships with financial actors, be they banks, public shareholders or financial analysts. As mentioned earlier, the pervasive survivalist tone[19] employed by Senwes executives at the time support the notion that the transformation was also a function of the perceived lack of an alternative strategy. This also explains the overall stickiness of Senwes share ownership and opposition against BEE policy as shareholders saw themselves as part of this group ‘struggling for survival’, as it were. Indeed, the Senwesbel shares seem to trade more like a private company; shares did not often circulate into non-farmer hands. In the ‘margin squeeze’ case at the Competition Commission, it was also clear that Senwes was quite willing to offer very favourable storage terms to farmers at the expense of non-farming traders – again pointing towards a polarised perception of survival.

I would therefore conclude that, although Senwes showed considerable signs of financialisation by diverting funds from productive enterprise to financial speculation and experienced a mutually induced financial crisis that caused considerable entanglement with the financial services industry, it seemed to have moved past the most destructive forms of financialisation. In essence, the financialisation process has been variegated. The accumulation of capital has remained primarily through financial channels, as Bonizzi (2013) supposed, though the agrarian elite seems to have effectively safeguarded this accumulation to mostly remain in the hands of Afrikaner agrarian capital. The shareholder make-up of Senwesbel and Senwes also challenge the emergence of a rentier class, as described by Demir (2007), in this section of agriculture. Both Senwes and in turn Senwesbel are still strongly owned by

[19] Evidence of this survivalist tone can be found in many Senwes or Senwesbel annual reports. Some excerpts: “If we want to survive, the interest of every farmer must be pooled…with the interest of the co-operative” – (Sentraalwes 1990); “[We] are fighting for survival (Sentraalwes 1992); “Many [farmers’] operations are directly dependent upon the survival of Senwes” (Senwes 2000).

farmer producers, supporting Lapavitsas' (2010) view of the false dichotomy between a rentier and productive class.

Let us then next examine the ZZ2 case, since the financialisation experience of ZZ2 differs markedly from that of Senwes, offering an alternative perspective on South African agriculture.

5 Case study – ZZ2 Group[20]

5.1 Introduction

The ZZ2 Group is a large family-owned primary-agriculture producer in the horticulture[21] sub-sector. It is the largest producer of tomatoes in the southern hemisphere, contributing more than 40% of total tomato production in South Africa (Mandizvidza 2013). It also has substantial investment in mangoes, avocados, other tropical and sub-tropical stone fruits, apples, vegetables as well as some livestock. It is the largest agricultural producer in Limpopo province and makes a considerable contribution[22] to the Johannesburg Fresh Produce Market, which is the largest fresh produce market in the world (Anon 2016c). It has captured considerable market share for most of the products it produces, especially tomatoes, avocados and onions. It is also one of South Africa's largest non-grain exporting operations.

5.2 Formation and Growth

The founding father of ZZ2 is Bertie van Zyl, who in 1948 leased a piece of land in the Mooketsi area of Limpopo with the aim of producing potatoes. Van Zyl, who had very progressive social views for his time, farmed produce that were not being regulated or supported by the National Party government's agricultural protectionism and marketing boards. As such, he also struggled to obtain capital through the Landbank.[23] After leasing the farm for 12 years, Van Zyl eventually obtained a mortgage loan with what was then known as Barclays Bank (later First National Bank Ltd.).

[20] This section is primarily based on a personal interview held with a senior ZZ2 executive (Anon 2016b).

[21] In general, the term 'horticulture' includes the cultivation of vineyards, citrus and apple orchards, as well as soft fruits like bananas – all belonging to some agricultural board under Apartheid. In this study, horticulture is used to refer to agricultural activities that were excluded from agricultural boards primarily because of the relatively small size of the market that they represented. As such, it generally includes all vegetables.

[22] Daily and seasonal fluctuations, as well as difficulties in measurements, make ZZ2's contribution hard to pin point but it ranges between 3% and 7% of total products on the market, impressive considering that more than 5000 farmers deliver to the market daily.

[23] According to local farmers, funding from the Landbank during the early and middle years of Apartheid was very much linked to political and religious affiliations. As a progressive person who did not belong to one of the larger church affiliates, van Zyl was likely marginalised.

Being an efficient producer and having a sustainable way of maintaining labour relations, van Zyl managed to develop one of the most efficient farming operations in the region, slowly growing his operations through the acquisition of additional land. When in the 1980s his children also joined the company, they brought considerable expertise and corporatized structures of doing business. It was during this time that the ZZ2 Group developed the complex ownership structure that it is still governed by today (see below).

Having expanded its operations from potatoes into tomatoes and other vegetables, ZZ2 emerged as a very profitable enterprise that managed to deliver high production volumes per hectare and benefitted from economies of scale. It developed a strongly benevolent patriarchal business ethos, where workers received free housing, electricity, food, education and healthcare, as well as a fair salary for the time. The labour productivity result of such a retention strategy is evident in their higher-than-normal yields, and relatively peaceful labour relations.

Since the family subscribed to a much more progressive ideology than what was the norm in farming communities, it viewed the regime change in 1994 with much more positive anticipation than most. It also felt no real change to its operations with the abolition of agricultural protectionism, since it had enjoyed almost none of the benefits of such protection. The changing agricultural sphere, and the general sense of negativity, partly due to the threat of land reform, allowed ZZ2 – an already efficient producer – to acquire additional land at prices that may have been substantially reduced.

The changes, however, were not without incident. In 2002, a claim for land restitution was instated on ZZ2 property, the applicant claiming to have historically been moved of the land due to race-based legislation. After a court found no evidence of such history, it was dismissed, though not without some negative publicity. Similarly, some labour unrest in 2003 when broader national labour policies were implemented also found negative publicity, though with no legal basis. Considering these events, ZZ2 passed surprisingly unscathed through a very turbulent time for the rest of the industry and has consistently grown both its operations and its market share. After trade liberalisation, it has managed to carve out considerable export markets, particularly in the European avocado market, and have strong export connections with the United States, Spain and Israel. It also developed one of the largest horticulture research facilities in the country, spending large amounts on research and development annually. Because of these technological and efficiency benefits, it consistently delivers much higher than average yields, successfully competing globally in several of its products.

5.3 Ownership Structure

The ZZ2 Group consists of several family trusts that own shares in several private companies, whose shares are not openly traded. Although ZZ2 has some central functions like accounting and logistics that all the companies share, each operation essentially functions as a separate private company. The companies are not all wholly owned by the Van Zyl family, an example being the Namibian palm date operations being partially owned by the Van Zyl family trust and an Israeli consortium that they approached to partner with, yet it trades under the ZZ2 brand. As such, the shareholding power is fairly diluted and complex in most of these companies.

This structure also does not lend itself to a financialised concept of shareholder value principals. The lack of tradability of shares also mean that operations are not concerned with creating a good-looking share value, but rather to give the existing shareholders confidence that the resources are managed well. Here, this does not mean a good ROI or favourable Cost to Income ratios; instead the measure of success for a business is based on its agricultural production per square metre (benchmarking this to global standards). Thus, success is not a function of financial prowess, but rather managerial and scientific excellence. Finally, dividends are also not regular, although not uncommon, and may vary between the different companies under the ZZ2 Group. Companies with non-family shareholders generally pay dividends more frequently than family-owned companies, where wealth is spread more through employment and asset acquisition. A common way to capitalise new ventures, for example, is to issue dividends that automatically convert into private shareholding of the new venture.

This structure has *de facto* remained fairly unchanged – apart from additional investing partners in new ventures. Partners are also meticulously chosen for similar business ideology that stresses production efficiency above shareholder value maximisation and over-exploitation of resources. The structure also effectively allows for the ring-fencing of new ventures in order to limit the influence of new partners in the rest of the Group.

5.4 ZZ2 and the Financial Industry

Although the ZZ2 Group has considerable leverage finance and transactional products with commercial banks, its borrowing practices have always been prudent and debt-averse. It also very rarely holds financial investments, instead diverting excess capital to new ventures, technology or fixed property. ZZ2 engages in the practice of multi-banking, which means that banks are often played off against one-another, and do not serve a prominent advisory role in the Group. Instead, ZZ2 relies on other international consultants and its sizeable contingent of graduate professionals for advisory services.

As a Group, it has taken a strategic decision to not hedge with financial instruments or engage in speculative equity trading, nor has it ever seen this as a potential field of expansion (Anon 2016b). Since none of its products are traded or remotely related to those traded on the Safex bourse, ZZ2 also does not house or plan to house any trading division or activities. Its main method of engaging with risk is in hedging through diversified primary horticulture operations; it plants across various climatic regions and plants various different products to allow consistent supply throughout the year. It does not see a need to hedge from South African market risk and, as such, only has one non-South African farming operation.[24]

[24] The palm-date operation was done in Namibia simply because no suitable climate was identified in South Africa, and the palm date was identified as a strategic expansionary venture. It is thus not embarked upon as an action of risk mitigation.

5.5 Conclusion

The study on ZZ2 thus found almost no signs of financialisation, despite evidence pointing towards some form of corporatisation. The way ZZ2 has engaged in and expanded through the policies of trade liberalisation in the South African economy also show clear signs of being fully integrated into a globalised economy, though they managed to be integrated into the global financialised economy on very different terms than what is usually understood under financialisation. Let us further expound upon the dynamics of the various forces in play.

Firstly, we see how the internationalisation of South African agriculture presented great exporting growth opportunities to ZZ2, while the liberalisation of agriculture had little effect on the unregulated horticulture sector. Because of the low debt levels at ZZ2 (a product of its traditional exclusion from mainstream agriculture and its financing infrastructure) it was relatively unaffected by the spill-overs from the East Asian debt crisis, unlike Senwes.

Secondly, the opening up of the Safex and the JSE certainly offered opportunities for ZZ2 to expand into speculative financial activities to hedge risk and increase revenue, though ZZ2 did not use any of these structures. This may be because, unlike Senwes, the opportunity to speculate was not inculcated into the core business of ZZ2, largely due to the nature of its produce (tomatoes and avocadoes cannot be stored and then sold only when the market price is right, nor can they easily be grouped into commodity buckets as is possible with grains). This fact explains why speculative trading was never embraced or made part of the ZZ2 operations.

Thirdly, the ZZ2 ownership structure never allowed broad permeation of the shareholder value principles because its shares were never traded openly. Its marginalisation under Apartheid meant that it was historically forced to capitalise itself, and thus it had no need to find new capital sources when the regime changed. This meant that it did not have to transform ownership structures. It therefore managed to keep to a ‘retain and invest’ policy instead of a ‘downsize and distribute’ model, making the need to find capital later on in its lifecycle less likely.

For the same reason, there was also not a great need to develop a deep relationship with banking institutions. The nature of its operations also differ from mainstream agriculture in two important ways. Firstly, the horticulture industry has much smaller firm sizes with much less mechanisation. It therefore has a much smaller need for equipment finance or financing of large public facilities like storage or processing. Secondly, because of the very long and stable planting operations in the grain industry, bridging finance, insurance and security against crops is a viable financial product. The same cannot be said for a field of tomatoes that fruit in a fraction of the time and its value and quality being grossly indeterminable. These reasons help us understand why the relationship with the financial industry has remained something separate and uninvolved to the business operations of ZZ2.

Finally, from a political economy perspective, the fact that ZZ2 was excluded from mainstream Afrikaner capital under Apartheid probably laid the foundation for its independent success under the new regime. When other farmers failed without protection and succumbed to land claims, the ZZ2 Group bought more land at reduced prices. When mainstream farmers lamented the changing South African economic and political climate, ZZ2 expanded its South African operations. It also does not seem to subscribe to the survivalist tone common to traditional farming operations. It would therefore seem that, because of its exclusion from mainstream Afrikaner capital, it had a markedly different experience of the transformation, and managed to avoid being adversely affected by financialisation.

Interestingly, the ZZ2 organisational culture seems to have been shaped by these forces that shielded it from being financialised itself. This organisational culture can most easily be expressed in understanding its farming methodology. As a contrast to the heavy use of pesticides and ecologically destructive mechanisation typified as ‘precision farming’, ZZ2 applies what they call ‘Naturefarming’. This practice is similar to organic techniques, though still employs pesticides and fertilisers as a last resort (Goldblatt 2011). In the same way, ZZ2 seem to use financial institutions only as a last resort; instead opting for a sustainable and longer-term growth trajectory where others seek profit through high intensity techniques.

In conclusion, the ZZ2 case study thus highlights the varied experiences within agriculture, and the complexity of post-Apartheid South African agriculture. It also points towards the existence of a corporatized and fully international company without evidence of financialisation. Similar firm-level case studies in the horticulture industry would allow us to understand if the lack of financialisation can be attributed more to the industry or idiosyncratic features of the ZZ2 case. Perhaps it is also a convergence of both.

6 Conclusion

The study has shown the variegated nature of financialisation within South African agriculture. We see strong signs of a swift and extensive financialisation experience in Senwes, while not seeing signs that the process created a new and separate financial/rentier class (with the possible exception of the black rentier class created through BEE legislation). We also see the South African agrarian capital transformation in that its mode of accumulation seems to have migrated to financial channels and motives, though the composition of this class has remained fairly unchanged, albeit much more concentrated. We see how financial institutions play a facilitative role that both empowers the new method of accumulation, and creates the conditions for its downfall.

On the other hand, the ZZ2 case shows that the transformation was not homogenous in agriculture. Some forces, like liberalisation, were instrumental in creating the conditions under which Senwes financialised, though these same forces created the conditions under which ZZ2 could expand its operations and capital accumulation. At the same time, both its operations and accumulation remained very much outside of the financial sphere. Most of the transformations affecting South African agriculture were felt in both Senwes and ZZ2, though the latter was fully corporatized and included in a global market, without seemingly being radically altered by the financialised economy.

An important difference between ZZ2 and Senwes is therefore the terms in which the link to the larger agricultural industry and its elites. While ZZ2 remained very much marginalised, Senwes was central to the agricultural production chain. As such, broad sweeping forces in agriculture like land reform and protectionism essentially had no effect on ZZ2 while Senwes experienced these as a threat to its very existence. This explains why ZZ2 had greater agility to react to these forces, incorporating their effects more on their own terms.

Another key theme of the study is the changing behaviour and role of banks within a financialised South African economy, particularly evident in the Senwes case study. Not only did commercial banks suddenly expand their range of services and bespoke financial products specifically to agricultural firms, but they also become much more involved in non-financial industries, sometimes through direct control and governance. Their continued equity involvement in agricultural services (now in the form of joint ventures) shows the pervasive nature of financial industry entanglement. The case study also shows the dynamics by which financial asset bubbles create firm-level debt crises.

From a Marxian perspective, this study also offers insights into the transformation of capital accumulation. The Senwes case showed how the migration from productive income as a source of profit, to financial income as source of profit has happened. Evidence of a speculative sector supplanting the real/productive sector of capital is lacking, however. Most capital investment and commodity speculation by Senwes pertained to real production and underlying assets; there is very little evidence that Senwes traded and retraded commodities. The notion of integration of real accumulation into financial channels is heavily supported by the Senwes case study, where Senwes' mode of agricultural accumulation was successfully converted into a complex financialised shareholding structure. Once again, the ZZ2 case study shows the varied evidence of this conversion into financial channels, where their ownership migration to privately held shares has a much less financialised characteristic and structure.

We can thus conclude that in South African agriculture, the forces of liberalisation, internationalisation and financialisation has indeed transformed much of the industry, though the transformation and its extent remains variegated. Different sub-sectors and idiosyncratic features within the firms meant that the experience of South African agrarian capital is far from homogenous. Comparative firm-level studies on firms within the primary agricultural sector both in grains and horticulture will allow us to better understand if this paper’s findings are pervasive within the industry. Studies on primary grain producers in the Senwes area will shed some valuable light to determine how primary producers were affected through Senwes’ financialisation, while studies on horticulture firms will allow us to understand how idiosyncratic the changes in ZZ2 really are compared to the rest of the economy.

7 Reference List

Aliber, M. & Cousins, B., 2013. Livelihoods after land reform in South Africa. *Journal of Agrarian Change*.

Anon, 2016a. Interview with senior Senwes executive.

Anon, 2016b. Interview with senior ZZ2 executive.

Anon, 2016c. Joburg Market. Available at: http://www.joburgmarket.co.za/index.php [Accessed January 5, 2016].

Anseeuw, W. & Ducastel, A., 2010. New Agricultural Investment Models and Agrarian Change in South Africa.

Anseeuw, W., Ducastel, A. & Gabas, J.-J., 2011. The end of the African peasant? From investment funds and finance value chains to peasant related questions. In Brighton: CIRAD.

Ashman, S., Fine, B. & Newman, S., 2011. The crisis in South Africa: neoliberalism, financialization and uneven and combined development. *Socialist Register*, pp.174–195.

Becker, J. et al., 2010. Peripheral Financialization and Vulnerability to Crisis: A Regulationist Perspective. *Competition & Change*, 14(3-4), pp.225–47.

Bonizzi, B., 2013. Financialization in Developing and Emerging Countries. *International Journal of Political Economy*, 42(4), pp.83–107.

Borio, C., 2011. Rediscovering the Macroeconomic Roots of Financial Stability Policy: Journey, Challenges, and a Way Forward. *Annual Review of Financial Economics*, 3(1), pp.87–117.

Brooks, S., 2016. Inducing food insecurity: Financialization and development in the post-2015 era. *Third World Quarterly*, 37(5), pp.1–13.

Carmody, P., 2002. Between Globalisation and (Post) Apartheid : The Political Economy of Restructuring in South Africa. *Journal of Southern African Studies*, 28(2), pp.255–275.

Chabane, N., Goldstein, A. & Roberts, S., 2006. The changing face and strategies of big business in South Africa : more than a decade of political democracy. *Industrial and Corporate Change*, 15(3), pp.549–577.

Cutts, M. & Kirsten, J., 2006. Asymmetric Price Transmission and Market Concentration: An Investigation into Four South African Agro-Food

Industries. *South African Journal of Economics*, 74(2), pp.323–333.

Demir, F., 2007. The Rise of Rentier Capitalism and the Financialization of Real Sectors in Developing Countries. *Review of Radical Political Economics*, 39(3), pp.351–359.

Department of Agriculture, 1996. *Final report of the Commission of Inquiry into the Provision of Rural Financial Services*, Pretoria: Strauss Commission.

Department of Finance, 2010. *Review and Outlook of Agriculture Industry in South Africa and Gauteng*, Pretoria. Available at: http://www.treasury.gpg.gov.za/Document/Documents/Quarterly Bulletin June 2010.pdf.

Dodig, N. & Herr, H., 2014. Financialisation, economy, society and sustainable development. *FESSUD Working Papers*, (24), pp.1–74.

Ducastel, A. & Anseeuw, W., 2013. Agriculture as an asset class: Financialisation of the (South) African farming sector. *International Initiative for Promoting Political Economy*, (January), pp.1–17.

Ducastel, A. & Anseeuw, W., 2016. Agriculture as an asset class: reshaping the South African farming sector. *Agriculture and Human Values*, pp.1–11.

Ducastel, A. & Anseeuw, W., 2014. The financialisation of South African grain cooperatives. What room for the agrarian capital? In *IIPPE Conference*. Naples, pp. 16–18. Available at: http://agritrop.cirad.fr/574207/2/document_574207.pdf.

Dünhaupt, P., 2012. *Financialization and the rentier income share – evidence from the USA and Germany*, Available at: http://www.imk-boeckler.de [Accessed August 26, 2016].

Dwyer, A., Holloway, J. & Wright, M., 2012. Commodity Market Financialisation: A Closer Look at the Evidence. *RBA Bulletin*, (March), pp.65–77.

Epstein, G.A., 2005. Introduction: Financialization and the World Economy. In *Financialization and The World Economy*. Cheltenham: Edward Elgar Publishing, pp. 3–16.

Epstein, G.A. & Jayadev, A., 2005. The rise of rentier incomes in OECD countries: financialization, central bank policy and labor solidarity.

Financialization and the world economy, pp.46–74.
Fine, B., 2013. Financialization from a Marxist Perspective. *International Journal of Political Economy*, 42(4), pp.47–66.
Fine, B. & Rustomjee, Z., 1996. *The Political Economy of South Africa: From Minerals Energy Complex to Industrialisation*
Froud, J. et al., 2000. Restructuring for shareholder value and its implications for labour. *Cambridge Journal of Economics*, 24(August 1999), pp.771–797.
Geyser, M. & Cutts, M., 2007. SAFEX maize price volatility scrutinised. *Agrekon*, 46(3), pp.291–305.
Ghosh, J., 2005. *The Economic and Social Effects of Financial Liberalization : A Primer for Developing Countries*, New York.
Goldblatt, A., 2011. Agriculture: Facts and Trends South Africa. *World Wide Fund for Nature (WWF)*, pp.2–26. Available at: http://awsassets.wwf.org.za/downloads/facts_brochure_mockup_04_b.pdf.
Irwin, S.H. & Sanders, D.R., 2012. Testing the Masters Hypothesis in commodity futures markets. *Energy Economics*, 34(1), pp.256–269.
Isaacs, G., 2015. *Financialisation and Development: South African Case Study*, Johannesburg.
Isaacs, G., 2014. *The myth of “neutrality” and the rhetoric of “stability”: macroeconomic policy in democratic South Africa*, Johannesburg.
Kaltenbrunner, A. & Karacimen, E., 2016. The contested nature of financialization in emerging capitalist economies. *The great financial meltdown*, pp.287–304.
Krippner, G.R., 2003. *The Fictitious Economy: Financialization, the State and Contemporary Capitalism*. University of Wisconsin-Madison.
Krippner, G.R., 2005. The financialization of the American economy. *Socio-Economic Review*, 3(2), pp.173–208.
Lapavitsas, C., 2010. Financialisation and capitalist accumulation: structural accounts of the crisis of 2007-9. *Research on Money and Finance*, p.34. Available at: http://www.researchonmoneyandfinance.org/media/papers/RMF-16-Lapavitsas.pdf.

Lazonick, W. & O'Sullivan, M., 2000. Maximizing Shareholder Value: A New Ideology for Corporate Governance. *Economics and Society*, 29(1), pp.13–35.

Levine, R., 1999. Law , Finance , and Economic Growth. *Journal of financial Intermediation*, 8(1), pp.8–35.

Mandizvidza, K., 2013. *Price transmission in tomato markets of Limpopo Province, South Africa*. University of Limpopo.

Manoim, N., Carrim, Y. & Holden, M., 2007. *Competition Commission vs Senwes Limited Case Nr 110/CR/Dec06*, Available at: http://www.comptrib.co.za/assets/Uploads/Case-Documents/110CRDec06.pdf.

Marais, H., 2011. South Africa pushed to the limit: the political economy of change. *The Political Economy of Change*, p.536.

Masters, M.W., 2008. Testimony before the Committee on Homeland Security and Governmental Affairs. *110th Cong., 2nd sess., June*, p.19. Available at: http://www.hsgac.senate.gov//imo/media/doc/052008Masters.pdf?attempt=2.

Meyer, P.A., 1967. Price discrimination, regional loan rates, and the structure of the banking industry. *The Journal of Finance*, 22(1), pp.37–48.

Michell, J. & Toporowski, J., 2013. Critical Observations on Financialization and the Financial Process. *International Journal of Political Economy*, 42(4), pp.67–82.

Mvelase, M., 2015. *The financialization of the South African economy and its implications for employment*. University of the Witwatersrand. Available at: http://wiredspace.wits.ac.za/handle/10539/16843 [Accessed August 26, 2016].

Newman, S., 2014. *Financialisation and the Financial and Economic Crises: The Case of South Africa*, Johannesburg. Available at: http://fessud.eu/wp-content/uploads/2012/08/FESSUD_studies-in-financial-systems_South-Africa_final_study-26.pdf.

O'Laughlin, B., Bernstein, H. & Cousins, B., 2013. Introduction: Agrarian change, rural poverty and land reform in South Africa since 1994. *Journal of Agrarian*. Available at:

http://onlinelibrary.wiley.com/doi/10.1111/joac.12010/full [Accessed October 10, 2016].

OECD, 2010. South Africa: Highlights and Policy Recommendations. *Industrial Law Journal*, 6(1), pp.52–54.

Orhangazi, O., 2006. Financialization and Capital Accumulation in the Nonfinancial Corporate Sector: A Theoretical and Empirical Investigation on the US Economy, 1973-2004. *Political Economy Research Institute WorkingPaper Series*, (149), pp.1973–2004.

Painceira, J.P., 2009. *Developing Countries in the Era of Financialisation : From Deficit Accumulation to Reserve Accumulation*, London.

Palma, G., 2000. *The Three Routes to Financial Crises: The Need for Capital Controls*, New York.

Sawyer, M., 2014. What Is Financialization? *International Journal of Political Economy*, 42(4), pp.5–18. Available at: http://www.tandfonline.com/doi/abs/10.2753/IJP0891-1916420401.

Sentraalwes, 1990. Sentraalwes Annual Chairman’s Report.

Sentraalwes, 1992. Sentraalwes Annual Chairman’s Report.

Senwes, 1997. Senwes Annual Chairman’s Report.

Senwes, 1998. Senwes Annual Chairman’s Report.

Senwes, 1999. Senwes Annual Chairman’s Report.

Senwes, 2000. Senwes Annual Chairman’s Report.

Senwes, 2001. Senwes Annual Report.

Senwes, 2002. Senwes Annual Report.

Senwes, 2006. Senwes Annual Report.

Senwes, 2003. Senwes Annual Report.

Senwes, 2010. Senwes Annual Report.

Senwes, 2007. Senwes Annual Report.

Senwesbel, 1996. Memorandum of incorporation.

Stockhammer, E., 2004. Financialisation and the slowdown of accumulation. *Cambridge Journal of Economics*, 28(5), pp.719–741.

Stockhammer, E., 2010. Financialization and the global economy. *Industrial and Corporate Change*, 17(6), pp.1097–1112.

Stockhammer, E., 2012a. Financialization, income distribution and the crisis. *Investigación económica*, 71(279), pp.39–70.

Stockhammer, E., 2008. Some Stylized Facts on the Finance-dominated Accumulation Regime. *Competition & Change*, 12(2), pp.184–202.

Stockhammer, E., 2012b. Why have wage shares fallen? A panel analysis of the determinants of functional income distribution. *ILO Conditions of Work and Employment Series*. Available at: http://ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_202352.pdf [Accessed August 31, 2016].

WEF, 2015. *The global competitiveness report 2015-2016* K. Schwab, X. Sala-i-Martin, & B. Brende, eds., Geneva: World Economic Forum. Available at: www.weforum.org/gcr.

Wyk, G.J. Van, 2012. *Measuring the volatility spill-over effects between Chicago Board of Trade and the South African maize market*. North-West University.